

CITY OF CASCADE, IOWA

**INDEPENDENT AUDITOR'S REPORTS
BASIC FINANCIAL STATEMENTS
AND SUPPLEMENTARY INFORMATION
SCHEDULE OF FINDINGS**

June 30, 2012

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CITY OF CASCADE

OFFICIALS

<u>Name</u>	<u>Title</u> (Before January 2012)	<u>Term Expires</u>
Gregory Staner	Mayor	Jan. 2012
Michael Henry	Mayor Pro tem	Jan. 2012
William Boffeli	Council Member	Resigned Oct. 17, 2011
Steven Knepper	Council Member	Jan. 2012
Scott Soppe	Council Member	Jan. 2014
Robert Moriarity	Council Member	Jan. 2014
Randy Lansing	City Administrator	Dec. 15, 2011
Shelley Annis	City Clerk/ Treasurer	Indefinite
William G. Blum	Attorney	Indefinite
(After December 2011)		
Michael Henry	Mayor	Jan. 2014
Scott Soppe	Mayor Pro Tem	Jan. 2014
Bill Hosch	Council Member Appointed Jan. 9, 2012)	Feb. 13, 2012
Russ Boffeli	Council Member (Elected Feb. 13, 2012)	Jan. 2014
Robert Moriarity	Council Member	Jan. 2014
Steven Knepper	Council Member	Jan. 2016
Pat Kearney	Council Member	Jan. 2016
Tim Long	City Administrator (Appointed Mar 5, 2012)	Indefinite
Shelley Annis	City Clerk/Treasurer	Indefinite
William G. Blum	Attorney	Indefinite

Dietz, Donald & Company

CERTIFIED PUBLIC ACCOUNTANTS

STEVEN S. CLAUSEN, CPA

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INDEPENDENT AUDITOR'S REPORT

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Cascade, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City of Cascade's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, these financial statements were prepared on the basis of cash receipts and disbursements, which is a comprehensive basis of accounting other than U.S. generally accepted accounting principles.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective cash basis financial position of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Cascade as of June 30, 2012, and the respective changes in cash basis financial position for the year then ended in conformity with the basis of accounting described in Note 1.

In accordance with Government Auditing Standards, we have also issued our report dated December 6, 2012 on our consideration of the City of Cascade's internal control over

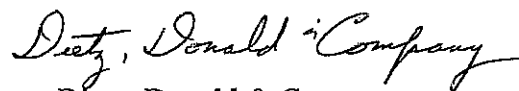
financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on internal control over financial reporting or compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cascade's basic financial statements. We previously audited, in accordance with the standards referred to in the second paragraph of this report, the financial statements for the two years ended June 30, 2011 (which are not presented herein) and expressed an unqualified opinion on the June 30, 2011 financial statements and a qualified opinion on the June 30, 2010 financial statement, both of which were prepared with another comprehensive basis of accounting. The supplementary information included in Schedules 1 through 4 is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in our audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statement themselves, and other additional procedures in accordance with U.S. generally accepted auditing standards. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Cascade's basic financial statements. The Management's Discussion and Analysis and budgetary comparison information on pages 6 through 13 and 34 through 35 are presented for purposes of additional analysis and are not a required part of the basic financial statements. The information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Elkader, Iowa

December 6, 2012


Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

CITY OF CASCADE

Mayor: Mike Henry
City Administrator:
Tim Long
City Clerk &
Treasurer:
Shelley Annis

320 1st Avenue West
P.O. Box 400
Cascade, IA 52033
Phone 563-852-3114
Fax: 563-852-7554
cascadeclerk@netins.net

Council Members:
Russ Boffeli
Pat Kearney
Steve Knepper
Bob Moriarity
Scott Soppe

MANAGEMENT'S DISCUSSION AND ANALYSIS

The City of Cascade provides this Management's Discussion and Analysis of its financial statements. This narrative overview and analysis of the financial activities is for the fiscal year ended June 30, 2012. We encourage readers to consider this information in conjunction with the City's financial statements, which follow.

2012 FINANCIAL HIGHLIGHTS

Receipts of the City's governmental activities increased 26.6%, or approximately \$ 617,000 from fiscal year 2011 to fiscal year 2012. Bond and note proceeds increased approximately \$ 811,000 and property taxes (including TIF receipts) increased approximately \$ 29,000.

Disbursements of the City's governmental activities decreased 10.2%, or approximately \$ 231,000, in fiscal year 2012 from fiscal year 2011. Public safety and general government disbursements increased approximately \$ 62,000 and \$ 18,300, respectively, while capital projects disbursements decreased approximately \$ 341,000.

The City's total cash basis net assets increased 70.1%, or approximately \$ 1.189 million from June 30, 2011 to June 30, 2012. Of this amount, the assets of the governmental activities increased approximately \$ 958,000 and the assets of the business type activities increased approximately \$ 231,000. The discretely presented component unit (Cascade Municipal Utilities) cash basis net assets increased 6.6%, or approximately \$ 140,000.

USING THIS REPORT

This report consists of a series of financial statements and other information, as follows:

Management's Discussion and Analysis introduces the basic financial statements and provides an analytical overview of the City's financial activities.

The Government-wide Financial Statement consists of a Statement of Activities and Net Assets. This statement provides information about the activities of the City as a whole, including the discretely presented component unit, and presents an overall view of the City's finances.

The Fund Financial Statements tell how government services were financed in the short term, as well as what remains for future spending. Fund financial statements report the City's operations in more detail than the government-wide statement by providing information about the most significant funds.

Notes to Financial Statements provide additional information essential to a full understanding of the data provided in the basic financial statements.

Other Information further explains and supports the financial statements with a comparison to the City's budget for the year.

Supplementary Information provides detailed information about the nonmajor governmental funds and the City's indebtedness.

BASIS OF ACCOUNTING

The City maintains its financial records on the basis of cash receipts and disbursements, and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and operational results of funds in accordance with U.S. generally accepted accounting principles. Therefore, when reviewing the financial information and discussion within this annual report, readers should keep in mind the limitations resulting from the use of the cash basis of accounting.

REPORTING THE CITY'S FINANCIAL ACTIVITIES

The City's Reporting Entity Presentation

This report includes all activities for which the City of Cascade is fiscally responsible. These activities, defined as the City's reporting entity, are operated within a separate legal entity that is the primary government and another separate legal entity that is included as a component unit.

The primary government consists of one legal entity, the City of Cascade.

The component unit presentation consists of one legal entity, the Cascade Municipal Utilities.

Government-wide Financial Statement

One of the most important questions asked about the City's finances is, "Is the City as a whole better off or worse off as a result of the year's activities?" The Statement of Activities and Net Assets reports information which helps answer this question.

The Statement of Activities and Net Assets presents the City's net assets. Over time, increases or decreases in the City's net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating.

The Statement of Activities and Net Assets is divided into three kinds of activities:

Governmental Activities include public safety, public works, culture and recreation, community and economic development, general government, debt service and capital projects. Property tax and state and federal grants finance most of these activities.

Business Type Activities include the waterworks, the sanitary sewer system and garbage collection. These activities are financed primarily by user charges.

Discretely Presented Component Unit consists of the Cascade Municipal Utilities, a legally separate organization that has the potential to provide specific benefits or impose specific financial burdens on the City.

Fund Financial Statements

The City has two kinds of funds:

Governmental Funds account for most of the City's basic services. These focus on how money flows into and out of those funds, and the balances at year-end that are available for spending. The governmental funds include: (1) the General Fund, (2) the Special Revenue Funds, such as Urban Renewal Tax Increment, (3) the Debt Service Fund, and (4) the Capital Projects Fund. The governmental fund financial statements provide a detailed, short-term view of the City's general government operations and the basic services it provides. Governmental fund information helps determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.

The required financial statement for governmental funds is a statement of cash receipts, disbursements and changes in cash balances.

Proprietary Funds account for the City's Enterprise Funds. Enterprise Funds are used to report business type activities. The City maintains three Enterprise Funds to provide separate information for the water, sewer, and garbage funds, considered to be major funds of the City.

The required financial statement for proprietary funds is a statement of cash receipts, disbursements and changes in cash balances.

GOVERNMENT-WIDE FINANCIAL ANALYSIS

Net assets may serve over time as a useful indicator of financial position. The City's cash balance for governmental activities increased from a year ago, increasing from approximately \$ 933,000 to approximately \$ 1.048 million. The analysis that follows focuses on the changes in cash balances for governmental activities.

Changes in Cash Basis Net Assets of Governmental Activities (Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Receipts		
Program receipts:		
Charges for service	\$ 258	230
Operating grants and contributions	240	207
Capital grants and contributions	115	402
General receipts:		
Property tax	979	950
Other local taxes	252	217
Unrestricted interest on investments	7	24
Bond and note proceeds	1,046	236
Other general receipts	43	57
Total receipts	<u>2,940</u>	<u>2,323</u>
Disbursements		
Public safety	419	356
Public works	342	331
Culture and recreation	198	163
Community and economic development	97	116
General government	205	187
Debt service	263	261
Capital projects	519	860
Total disbursements	<u>2,043</u>	<u>2,274</u>
Change in cash basis net assets before transfers	897	49
Transfers, net	61	66
Change in cash basis net assets	958	115
Cash basis net assets beginning of year	1,048	933
Cash basis net assets end of year	<u>\$ 2,006</u>	<u>1,048</u>

The City's total receipts for governmental activities increased 26.6%, or approximately \$ 617,000. The total cost of all programs and services decreased approximately \$ 231,000, or 10.2%. The increase in receipts was due primarily to receipt of approximately \$ 1.046 million from bond and note proceeds to fund a water improvement project and purchase of the ambulance service.

The decrease in disbursements was due primarily to a decrease in capital projects spending of approximately \$ 341,000. These capital projects included resurfacing 1st Avenue; a housing rehabilitation project; City Hall gym renovations; swimming pool improvements; completion of the amphitheater project and the Water System Improvement Project.

The City property tax rate remained unchanged for 2012. However, because of increased valuations, City property tax receipts increased approximately \$ 29,000. Based on increases in the total assessed valuation, property tax receipts are budgeted to increase approximately \$ 112,000 next year, with most of that increase occurring with TIF receipts.

The cost of all governmental activities this year was approximately \$ 2.043 million compared to approximately \$ 2.274 million last year. However, as shown in the Statement of Activities and Net Assets on pages 15-16, the amount taxpayers ultimately financed for these activities was only \$ 1.430 million because some of the cost was paid by those directly benefiting from the programs (\$258,000) or by other governments and organizations that subsidized certain programs with grants and contributions (\$ 355,000). Overall, the City's governmental activities program receipts, including intergovernmental aid and fees for service decreased in 2012 from approximately \$ 839,000 to approximately \$ 613,000. The City paid for the remaining "public benefit" portion of governmental activities (\$ 1.430 million) with taxes (some of which could only be used for certain programs) and other receipts, such as interest and other general receipts.

Changes in Cash Basis Net Assets of Business Type Activities
(Expressed in Thousands)

	<u>Year Ended June 30,</u>	
	<u>2012</u>	<u>2011</u>
Receipts		
Program receipts		
Charges for service		
Water	\$ 284	272
Sewer	255	239
Garbage	125	121
General receipts		
Unrestricted interest on investments	4	6
Bond proceeds	69	0
Other general receipts	1	3
Total receipts	<u>738</u>	<u>641</u>

Disbursements		
Water	163	185
Sewer	172	158
Garbage	112	105
Total disbursements	<u>447</u>	<u>448</u>
Change in cash basis net assets before transfers	291	193
Transfers, net	<u>(61)</u>	<u>(66)</u>
Change in cash basis net assets	230	127
Cash basis net assets beginning of year	<u>647</u>	<u>520</u>
Cash basis net assets end of year	<u>\$ 877</u>	<u>647</u>

The business type activities receipts for the fiscal year were approximately \$ 738,000 compared to approximately \$ 641,000 last year. The increase was due primarily to receiving \$ 69,000 in bond proceeds in 2012. Cash basis net assets increased approximately \$ 230,000 from 2011. Total disbursements for the fiscal year decreased 0.2% to approximately \$ 447,000.

INDIVIDUAL MAJOR GOVERNMENTAL FUND ANALYSIS

As the City of Cascade completed the year, its governmental funds reported a combined fund balance of \$ 2,006,655, an increase of over \$ 958,000 from last year's total of \$ 1,048,454. The following are the major reasons for the changes in the fund balances of the major funds from the prior year.

The General Fund cash balance increased \$ 107,482 from the prior year to \$ 1,264,835. The General Fund increase included note proceeds of \$ 120,000 to purchase the local ambulance service.

The Special Revenue, Urban Renewal Tax Increment Fund was established to account for major urban renewal projects within the City. At the end of the fiscal year, the cash balance was \$ 171,337, a decrease of \$ 89,829 from the previous year. Disbursements included \$ 106,890 for City Hall gym renovations, \$ 42,069 for tax rebates, \$ 17,916 for swimming pool improvements and \$ 20,287 for amphitheater expense. Another \$ 142,754 was transferred to the Debt Service Fund for debt retirement and \$ 265,653 was transferred to the Capital Projects Fund to assist with capital projects in the various TIF districts.

The Debt Service Fund had no cash balance at either June 30, 2012 or June 30, 2011. Bond and note principal and interest payments increased \$ 45,845 to \$ 263,201 in fiscal year 2012.

The Capital Projects Fund cash balance increased \$ 921,080 to \$ 551,320 during the fiscal year. Capital projects disbursements decreased \$ 333,680 to \$ 416,940 in fiscal year 2012. Disbursements included \$ 231,744 for the Water System

Improvement Project and \$ 113,069 for the 1st Avenue resurfacing project.

INDIVIDUAL MAJOR BUSINESS TYPE FUND ANALYSIS

The Enterprise, Water Fund cash balance increased \$ 193,982 to \$ 680,610, due to receipt of \$ 68,810 of bond proceeds.

The Enterprise, Sewer Fund cash balance increased \$ 23,946 to \$ 52,954.

The Enterprise, Garbage Fund had a balance of \$ 143,578, an increase of \$ 12,389 from the prior year.

BUDGETARY HIGHLIGHTS

Over the course of the year, the City amended its budget once. The amendment was approved on May 29, 2012 and resulted in an increase in budgeted disbursements of \$ 96,800.

The City's receipts were \$ 41,626 less than budgeted. Because the City includes its component unit in the budget process, charges for service were \$ 147,697 less than budgeted, primarily related to Cascade Municipal Utilities.

The City's disbursements were \$ 519,231 less than budgeted, primarily due to the Municipal Utilities' disbursements being \$ 176,347 less than budgeted. In addition, capital projects disbursements were \$ 115,143 less than anticipated.

DEBT SERVICE

At June 30, 2012, the City had \$ 1,789,140 in bonds and notes outstanding, as shown below.

<u>Outstanding Debt at Year End</u> <u>(Expressed in Thousands)</u>		
	<u>2012</u>	<u>2011</u>
General obligation notes	\$ 488	485
Urban renewal tax increment financing revenue notes	205	300
Revenue notes	101	119
Revenue bonds	<u>995</u>	<u>0</u>
Total	<u>\$ 1,789</u>	<u>904</u>

Debt increased as a result of issuing \$ 995,000 of water revenue bonds in June, 2012.

The constitution of the State of Iowa limits the amount of general obligation debt cities can issue to 5% of the assessed value of all taxable property within the City's corporate limits. The City's outstanding general obligation and TIF debt of \$ 693,140 is significantly below its constitutional limit of \$ 6.0 million.

ECONOMIC FACTORS AND NEXT YEAR'S BUDGET AND RATES

The City of Cascades's elected and appointed officials and citizens considered many factors when setting the fiscal year 2013 budget, tax rates and fees charged for various City activities. One of these factors is the economy. Sales tax receipts increased \$ 17,813 in fiscal year 2012, an increase of 8.2%. Taxable property valuation increased approximately \$ 4.731 million or 8.4%. Over the last 10 years the City's population has increased 201 to 2,159 and that trend is expected to continue.

These indicators were taken into account when adopting the budget for fiscal year 2013. Amounts available for appropriation in the operating budget are approximately \$ 10.330 million, an increase of 93.3% over the final 2012 budget.

If these estimates are realized, the City's budgeted cash balance is expected to increase approximately \$ 887,000 by the close of fiscal year 2013.

CONTACTING THE CITY'S FINANCIAL MANAGEMENT

This financial report is designed to provide our citizens, taxpayers, customers and creditors with a general overview of the City's accountability for the money it receives. If you have questions about this report or need additional financial information, contact Shelley Annis; City Clerk; 320 1st Avenue West; Cascade, Iowa 52033-0400.

BASIC FINANCIAL STATEMENTS

Exhibit A

CITY OF CASCADE
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
As of and for the Year Ended June 30, 2012

Functions/Programs:	Disbursements	Program Receipts		Net (Disbursements) Receipts and Changes in Cash Basis Net Assets		
		Changes for Service	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government	
					Governmental Activities	Discretely Presented Component Unit
Governmental activities:						
Public safety	\$ 417,858	120,611	5,211	-	(292,036)	(292,036)
Public works	342,359	66,932	206,472	-	(68,965)	(68,965)
Culture and recreation	198,736	40,938	27,698	-	(130,100)	(130,100)
Community and economic development	96,861	6,650	-	-	(90,211)	(90,211)
General government	204,786	11,752	500	-	(192,534)	(192,534)
Debt service	263,201	11,221	-	-	(251,980)	(251,980)
Capital projects	519,150	-	-	115,475	(403,675)	(403,675)
Total governmental activities	2,092,961	258,104	239,881	115,475	(1,429,501)	(1,429,501)
Business type activities:						
Water	162,795	283,672	-	-	120,877	120,877
Sewer	172,176	254,785	-	-	82,609	82,609
Garbage	111,649	125,021	-	-	13,372	13,372
Total business type activities	446,620	663,478	-	-	216,858	216,858
Total primary government	\$ 2,489,581	921,582	239,881	115,475	(1,429,501)	(1,429,501)
Discretely presented component unit:						
Cascade Municipal Utilities	\$ 2,649,997	2,713,895	-	-	63,898	63,898
General receipts and transfers:						
Property tax		475,560	-	-	475,560	-
Tax increment financing		503,479	-	-	503,479	-
Local option sales tax		234,837	-	-	234,837	-
Franchise tax		16,791	-	-	16,791	-
Unrestricted interest on investments		7,207	4,221	-	11,428	25,481
Bond and note proceeds		1,046,190	68,810	-	1,115,000	-
Miscellaneous		27,730	1,336	-	29,066	51,036
Sale of assets		15,000	-	-	15,000	-
Transfers		60,908	(60,908)	-	-	-
Total general receipts and transfers		2,387,702	13,459	-	2,401,161	76,577
Change in cash basis net assets		938,201	230,317	-	1,168,518	140,475
Cash basis net assets beginning of year, as restated		1,048,454	646,825	-	1,695,279	2,121,888
Cash basis net assets end of year		2,006,655	877,142	-	2,883,797	2,262,363

(continued)

CITY OF CASCADE
STATEMENT OF ACTIVITIES AND NET ASSETS-CASH BASIS
As of and for the Year Ended June 30, 2012

	Primary Government			Discretely Presented Component Unit
	Governmental Activities	Business Type Activities	Total	
Cash Basis Net Assets:				
Restricted:				
Nonexpendable:				
Utility deposits	\$ -	18,563	18,563	54,434
Expendable:				
Urban renewal purposes	171,337	-	171,337	-
Streets	19,094	-	19,094	-
Debt service	-	75,740	75,740	230,587
Water system improvements	669,779	-	668,779	-
Other purposes	69	-	69	-
Unrestricted	1,146,376	782,839	1,930,215	1,977,342
Total cash basis net assets	\$ 2,006,655	877,142	2,883,797	2,262,363

See notes to financial statements.

Exhibit B

CITY OF CASCADE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2012

	General	Special Revenue Renewal Tax Increment	Debt Service	Capital Projects	Nonmajor	Total
Receipts:						
Property tax	\$ 459,144	-	-	-	16,416	475,560
Tax increment financing	-	503,479	-	-	-	503,479
Other city tax	251,628	-	-	-	-	251,628
Licenses and permits	7,008	-	-	-	-	7,008
Use of money and property	6,075	1,046	-	185	-	7,306
Intergovernmental	70,712	-	-	115,938	204,784	391,434
Charges for service	197,056	-	-	-	988	198,044
Special assessments	1,673	2,066	11,223	-	-	14,962
Miscellaneous	21,524	4,881	-	-	3,238	29,643
Total receipts	1,014,820	511,472	11,223	116,123	225,426	1,879,064
Disbursements:						
Operating:						
Public safety	417,858	-	-	-	-	417,858
Public works	130,065	-	-	35,427	176,877	342,369
Culture and recreation	188,972	9,764	-	-	-	198,736
Community and economic development	47,336	42,069	-	7,456	-	96,861
General government	177,415	10,969	-	-	16,402	204,786
Debt service	-	-	263,201	-	-	263,201
Capital projects	-	145,093	-	374,057	-	519,150
Total disbursements	961,646	207,895	263,201	416,940	193,279	2,042,961
Excess (deficiency) of receipts over (under) disbursements	53,174	303,577	(251,978)	(300,817)	32,147	(163,897)
Other financing sources (uses)						
Bond and note proceeds	120,000	-	-	926,190	-	1,046,190
Sale of capital assets	-	15,000	-	-	-	15,000
Operating transfers in	-	-	251,978	295,707	-	547,685
Operating transfers out	(65,332)	(408,406)	-	-	(13,039)	(486,777)
Total other financing sources (uses)	54,668	(393,406)	251,978	1,221,897	(13,039)	1,122,098
Net change in cash balances	107,842	(89,829)	-	921,080	19,108	958,201
Cash balances beginning of year	1,156,993	261,166	-	(369,760)	- 55	1,048,454
Cash balances end of year	\$ 1,264,835	171,337	-	551,320	19,163	2,006,655

(continued)

Exhibit B
(continued)

CITY OF CASCADE
STATEMENT OF CASH RECEIPTS, DISBURSEMENTS
AND CHANGES IN CASH BALANCES
GOVERNMENTAL FUNDS
As of and for the Year Ended June 30, 2012

	General	Special Revenue	Renewal Tax Increment	Debt Service	Capital Projects	Nonmajor	Total
Cash Basis Fund Balances:							
Restricted for:							
Urban renewal purposes	\$ -	171,337	-	-	-	-	171,337
Streets	-	-	-	-	-	19,094	19,094
Water system improvements	-	-	-	-	668,779	-	668,779
Other purposes	-	-	-	-	-	69	69
Committed for:							
Fire Truck	86,955	-	-	-	-	-	86,955
Riverview Park wall	61,989	-	-	-	-	-	61,989
Truck	36,852	-	-	-	-	-	36,852
Self-funded health insurance	49,515	-	-	-	-	-	49,515
Swimming pool	25,825	-	-	-	-	-	25,825
Cable	5,950	-	-	-	-	-	5,950
Parks/playground	46,383	-	-	-	-	-	46,383
Library	25,831	-	-	-	-	-	25,831
First Avenue bridge	570,467	-	-	-	-	-	570,467
Trail	52,900	-	-	-	-	-	52,900
Siren	32,690	-	-	-	-	-	32,690
Bicentennial	3,105	-	-	-	-	-	3,105
Police car	37,639	-	-	-	-	-	37,639
Unassigned	228,734	-	-	-	(117,459)	-	111,275
Total cash basis fund balances	\$ 1,264,835	171,337	-	-	551,320	19,163	2,006,655

See notes to financial statements.

CITY OF CASCADE
 STATEMENTS OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 PROPRIETARY FUNDS
 As of and for the Year Ended June 30, 2012

	Enterprise Funds			
	Water	Sewer	Garbage	Total
Operating receipts:				
Charges for service	\$ 283,672	254,785	125,021	663,478
Operating disbursements:				
Business type activities	162,795	172,176	111,649	446,620
Excess of operating receipts over operating disbursements	120,877	82,609	13,372	216,858
Non-operating receipts (disbursements):				
Interest on investments	3,324	232	665	4,221
Water deposits	7,456	-	-	7,456
Bond proceeds	68,810	-	-	68,810
Water deposits refunded	(6,120)	-	-	(6,120)
Total non-operating receipts	73,470	232	665	74,367
Excess of receipts over disbursements	194,347	82,841	14,037	291,225
Operating transfers out	(365)	(58,895)	(1,648)	(60,908)
Net change in cash balances	193,982	23,946	12,389	230,317
Cash balances beginning of year	486,628	29,008	131,189	646,825
Cash balances end of year	\$ 680,610	52,954	143,578	877,142
Cash Basis Fund Balances:				
Restricted:				
Nonexpendable:				
Utility deposits	\$ 18,563	-	-	18,563
Expendable:				
Debt service	69,637	6,103	-	75,740
Unrestricted	592,410	46,851	143,578	782,839
Total cash basis fund balances	\$ 680,610	52,954	143,578	877,142

See notes to financial statements.

CITY OF CASCADE
NOTES TO FINANCIAL STATEMENTS
June 30, 2012

1) Summary of Significant Accounting Policies

The City of Cascade is a political subdivision of the State of Iowa located in Dubuque and Jones Counties. It was first incorporated in 1858 and operates under the Home Rule provisions of the Constitution of Iowa. The City operates under the Mayor-Council form of government with the Mayor and Council Members elected on a non-partisan basis. The City provides numerous services to citizens including public safety, public works, culture and recreation, community and economic development, and general government services. The City also provides water, sewer and garbage utilities for its citizens.

A. Reporting Entity

For financial reporting purposes, the City of Cascade has included all funds, organization, agencies, boards, commissions, and authorities. The City has also considered all potential component units for which it is financially accountable and other organizations for which the nature and significance of their relationship with the City are such that exclusion would cause the City's financial statements to be misleading or incomplete. The Governmental Accounting Standards Board has set forth criteria to be considered in determining financial accountability. These criteria include appointing a voting majority of an organization's governing body and (1) the ability of the City to impose its will on that organization or (2) the potential for the organization to provide specific benefits to or impose specific financial burdens on the City. The City has one component unit which meets the Governmental Accounting Standards Board criteria.

Discretely presented component units are separate legal entities that meet the component unit criteria but do not meet the criteria for blending. The component unit that is discretely presented in the City's report is presented below:

<u>Component Unit</u>	<u>Brief Description/Inclusion Criteria</u>
Cascade Municipal Utilities (CMU)	Created to finance, develop and operate the Municipal Utilities which provide gas and electric services to the City. The CMU governing body is composed of three members appointed by the City Council.

The Utilities issues a publicly available audited financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: Cascade Municipal Utilities; 320 1st Avenue West; P.O. Box 400; Cascade, Iowa 52033-0400.

Jointly Governed Organizations

The City participates in several jointly governed organizations that provide goods or services to the citizenry of the City but do not meet the criteria of a joint venture since there is no ongoing financial interest or responsibility by the participating governments. City officials are members of the following boards and commissions: Dubuque and Jones County Assessor's Conference Boards, Dubuque and Jones County Emergency Management Commissions, and Dubuque and Jones County Joint E911 Service Boards.

B. Basis of Presentation

Government-wide Financial Statement - The Statement of Activities and Net Assets reports information on all the nonfiduciary activities of the City. For the most part, the effect of interfund activity has been removed from this statement. Governmental activities, which are supported by tax and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for service. Activity between the primary government (the City) and the discretely presented component unit (the Cascade Municipal Utilities) are reported as if they were external transactions and are classified separately from internal activities within the primary government.

The Statement of Activities and Net Assets presents the City's nonfiduciary net assets. Net assets are reported in the following categories/components:

Non-expendable restricted net assets are subject to externally imposed stipulations which require them to be maintained permanently by the City, including customer utility deposits.

Expendable restricted net assets result when constraints placed on net asset use are either externally imposed or imposed by law through constitutional provisions or enabling legislation.

Unrestricted net assets consist of net assets not meeting the definition of the preceding categories. Unrestricted net assets often have constraints on resources imposed by management, which can be removed or modified.

The Statement of Activities and Net Assets demonstrates the degree to which the direct disbursements of a given function are offset by program receipts. Direct disbursements are those clearly identifiable with a specific function. Program receipts include (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function and (2) grants, contributions and interest on investments restricted to meeting the operational or capital requirements of a particular function. Property tax and other

items not properly included among program receipts are reported instead as general receipts.

Fund Financial Statements - Separate financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds are reported as separate columns in the fund financial statements. All remaining governmental funds are aggregated and reported as nonmajor governmental funds.

The City reports the following major governmental funds:

The General Fund is the general operating fund of the City. All general tax receipts and other receipts not allocated by law or contractual agreement to some other fund are accounted for in this fund. From the fund are paid the general operating disbursements, the fixed charges and the capital improvement costs not paid from other funds.

The Special Revenue, Urban Renewal Tax Increment Fund is used to account for tax increment financing collections and the repayment of tax increment financing indebtedness.

The Debt Service Fund is utilized to account for the payment of interest and principal on the City's general long-term debt.

The Capital Projects Fund is used to account for major construction and improvement projects in the City.

The City reports the following major proprietary funds:

The Enterprise, Water Fund accounts for the operation and maintenance of the City's water system.

The Enterprise, Sewer Fund accounts for the operation and maintenance of the City's wastewater treatment and sanitary sewer system.

The Enterprise, Garbage Fund accounts for the operation of the City's garbage collection operation except for recycling which is accounted for in the General Fund.

C. Measurement Focus and Basis of Accounting

The City of Cascade maintains its financial records on the basis of cash receipts and disbursements and the financial statements of the City are prepared on that basis. The cash basis of accounting does not give effect to accounts receivable, accounts payable and accrued items. Accordingly, the financial statements do not present financial position and results of operations of the funds in accordance with

U.S. generally accepted accounting principles.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants and general receipts. Thus, when program disbursements are paid, there are both restricted and unrestricted cash basis net assets available to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants and then general receipts.

When disbursements in governmental funds can be paid using either restricted or unrestricted resources, the City's policy is generally to first apply the disbursement toward restricted fund balance and then to less-restrictive classifications - committed, assigned and then unassigned fund balances.

Proprietary funds distinguish operating receipts and disbursements from non-operating items. Operating receipts and disbursements generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. All receipts and disbursements not meeting this definition are reported as non-operating receipts and disbursements.

D. Governmental Cash Basis Fund Balances

In the governmental fund financial statements, cash basis fund balances are classified as follows:

Nonspendable - Amounts which cannot be spent because they are legally or contractually required to be maintained intact.

Restricted - Amounts restricted to specific purposes when constraints placed on the use of the resources are either externally imposed by creditors, grantors, or state or federal laws or imposed by law through constitutional provisions or enabling legislation

Committed - Amounts which can be used only for specific purposes determined pursuant to constraints imposed by the City Council through resolution approved prior to year end. Those committed amounts cannot be used for any purpose unless the City Council removes or changes the specified use by taking the same action it employed to commit those amounts.

Unassigned - All amounts not included in other spendable classifications.

E. Budgets and Budgetary Accounting

The budgetary comparison and related disclosures are reported as Other Information.

2) **Cash and Pooled Investments**

The City's and Utilities' deposits in banks at June 30, 2012 were entirely covered by federal depository insurance or by the State Sinking Fund in accordance with Chapter 12C of the Code of Iowa. This chapter provides for additional assessments against the depositories to insure there will be no loss of public funds.

The City and Utilities are authorized by statute to invest public funds in obligations of the United States government, its agencies and instrumentalities; certificates of deposit or other evidences of deposit at federally insured depository institutions approved by the City Council or Utility Board of Trustees; prime eligible bankers acceptances; certain high rated commercial paper; perfected repurchase agreements; certain registered open-end management investment companies; certain joint investments trusts; and warrants or improvement certificates of a drainage district.

The City had no investments meeting the disclosure requirements of Governmental Account Standards Board Statement No. 3. However, the Utilities had investments in the Iowa Public Agency Investment Trust which are valued at an amortized cost of \$ 1,000 pursuant to Rule 2a-7 under the Investment Company Act of 1940.

Interest Rate Risk - The City's and Utilities' investment policies limit the investment of operating funds (funds expected to be expended in the current budget year or within 15 months of receipt) to instruments that mature within 397 days. Funds not identified as operating funds may be invested in investments with maturities longer than 397 days, but the maturities shall be consistent with the needs and use of the City and Utilities.

Credit Risk - The Utilities' investment in the Iowa Public Agency Investment Trust is unrated.

3) **Notes Payable**

Annual debt service requirements to maturity for general obligation notes, urban renewal tax increment financing revenue notes and revenue bonds and notes of the City are as follows on the next page.

Year Ending June 30,	General Obligation		Urban Renewal Tax Increment Financing		Revenue	
	Notes		Revenue Notes		Bonds and Notes	
	Principal	Interest	Principal	Interest	Principal	Interest
2013	\$ 342,160	17,373	100,000	8,100	59,000	27,840
2014	32,160	6,236	105,000	4,200	60,000	24,510
2015	32,160	4,809	0	0	60,000	23,810
2016	32,160	3,382	0	0	66,000	23,360
2017	16,500	1,955	0	0	66,000	23,990
2018-2022	33,000	1,956	0	0	225,000	105,145
2023-2027	0	0	0	0	260,000	75,800
2028-2032	0	0	0	0	300,000	32,300
Total	<u>\$ 488,140</u>	<u>35,711</u>	<u>205,000</u>	<u>12,300</u>	<u>1,096,000</u>	<u>336,755</u>

	Total	
	Principal	Interest
2013	\$ 501,160	53,313
2014	197,160	34,946
2015	92,160	28,619
2016	98,160	26,742
2017	82,500	25,945
2018-2022	258,000	107,101
2023-2027	260,000	75,800
2028-2032	<u>300,000</u>	<u>32,300</u>
Total	<u>\$ 1,789,140</u>	<u>384,766</u>

Urban Renewal Tax Increment Financing Notes

The City issued \$ 645,000 of urban renewal tax increment financing (TIF) revenue notes in May, 2007 for the purpose of defraying a portion of the costs of various construction and refurbishing projects within the urban renewal district. The notes are payable solely from the TIF receipts generated by increased property values in the City's TIF district and credited to the Special Revenue, Urban Renewal Tax Increment Fund in accordance with Chapter 403.19 of the Code of Iowa. TIF receipts are generally projected to provide 100% of the debt service requirements over the life of the notes. The proceeds of the urban renewal tax increment financing notes shall be expended only for purposes which are consistent with the plans of the City's urban renewal area. The notes are not a general obligation of the City. However, the debt is subject to the constitutional debt limit of the City. Total principal and interest remaining on the notes is \$ 217,200, payable through June, 2014. For the current

year, principal and interest paid and total TIF receipts were \$ 106,758 and \$ 503,479, respectively.

Sewer Revenue Notes

On February 17, 2010, the City entered into a State Revolving loan and disbursement agreement with the Iowa Finance Authority, the Iowa Department of Natural Resources and Wells Fargo Bank Iowa, N.A. (Trustee) for the issuance of \$ 137,000 of sewer revenue notes with interest at 3% per annum. The notes were issued pursuant to the provisions of Section 384.24A and 384.83 of the Code of Iowa for the purpose of paying the cost of improvements to the Polk Street lift station.

The City had pledged future sewer customer receipts, net of specified operating disbursements, to repay the \$ 137,000 of sewer revenue notes issued on February 17, 2010, with interest at 3% per annum. The agreement also requires the City to annually pay a .25% servicing fee on the outstanding principal balance. Annual principal and interest payments on the notes are expected to require less than 33% of net receipts. For the current year, principal and interest paid and total customer net receipts were \$ 21,570 and \$ 82,609, respectively.

The resolution providing for the issuance of the sewer revenue notes includes the following provisions:

- a) The notes will only be redeemed from the future earnings of the Enterprise, Sewer Fund and the note holders hold a lien on the future earnings of the fund.
- b) The rents, rates and other charges shall be at least sufficient to meet the operation and maintenance expenses of the sewer system and to produce and maintain net revenues at a level not less than 110% of the amount of principal and interest on the revenue notes.

Water Revenue Bonds

On June 13, 2012, the City sold \$ 995,000 of water revenue bonds. The resolution providing for the issuance of the revenue bonds includes the following provisions:

- a) The bond will only be redeemed from the future earnings of the Enterprise, Water Fund and the bond holders hold a lien on the future earnings of the fund. The bonds are callable June 1, 2019, at par.
- b) Net operating revenues are to equal 125% of the average amount of annual installments of principal and interest on all of the bonds and any other parity obligations outstanding from time to time, as the same become due.
- c) Sufficient monthly transfers shall be made to a "Water Revenue Sinking

Fund” for the purpose of making the bond principal and interest payments when due.

- d) Additionally, \$ 68,810 is to be set aside from the bond proceeds to create a Principal and Interest Reserve Fund. These funds are set aside for the purpose of making principal and interest payments when funds are not sufficient in the sinking fund.

Annual debt service requirement to maturity for revenue notes of the Cascade Municipal Utilities are as follows:

Year Ending June 30,	<u>Electric Revenue Notes</u>	
	<u>Principal</u>	<u>Interest</u>
2013	\$ 135,000	61,792
2014	135,000	59,903
2015	140,000	57,540
2016	140,000	54,740
2017	145,000	51,660
2018-2022	775,000	192,517
2023-2025	<u>545,000</u>	<u>44,595</u>
Total	<u>\$ 2,015,000</u>	<u>522,747</u>

The resolution providing for the issuance of the revenue notes include the following provisions:

- a) The notes will only be redeemed from the future earnings of the electric utility and the note holders hold a lien on the future earnings of the utilities. The notes are callable June 1, 2017, at par.
- b) Sufficient monthly transfers shall be made to an electric revenue note sinking account for the purpose of making the note principal and interest payments when due.
- c) Additionally, \$ 227,500 has been set aside from the note proceeds to create a principal and interest reserve account. These funds are set aside for the purpose of making principal and interest payments when funds are not sufficient in the sinking account.

4) Pension and Retirement Benefits

The City and Utilities contribute to the Iowa Public Employees Retirement System (IPERS), which is a cost-sharing multiple-employer defined benefit pension plan

administered by the State of Iowa. IPERS provides retirement and death benefits which are established by state statute to plan members and beneficiaries. IPERS issues a publicly available financial report that includes financial statements and required supplementary information. The report may be obtained by writing to: IPERS; P.O. Box 9117; Des Moines, Iowa 50306-9117.

Plan members are required to contribute 5.38% of their annual covered salary and the City and Utility are required to contribute 8.07% of covered salary. Certain employees in special risk occupations and the City contribute an actuarially determined contribution rate. Contribution requirements are established by state statute. The City's contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$ 32,279, \$ 30,495 and \$ 28,915, respectively. The Utilities' contributions to IPERS for the years ended June 30, 2012, 2011 and 2010 were \$ 23,532, \$ 19,168 and \$ 18,133, respectively. The City's and Utilities' contributions were equal to the required contributions for each year.

5) Other Postemployment Benefits (OPEB)

Plan Description - The City operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and spouses. There are 7 active and no retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

The Utilities operates a single-employer retiree benefit plan which provides medical/prescription drug benefits for retirees and their spouses. There are 6 active and 1 retired members in the plan. Participants must be age 55 or older at retirement.

The medical/prescription drug benefits are provided through a fully-insured plan with Wellmark. Retirees under age 65 pay the same premium for the medical/prescription drug benefits as active employees.

Funding Policy - The contribution requirements of plan members are established and may be amended by the City and the Utilities.

The City and the Utilities finance the retirement benefit plan on a pay-as-you-go basis. The most recent active member monthly premiums for the City and plan members are \$ 337 for single coverage and \$ 764 for family coverage. The same monthly premiums apply to retirees. For the year ended June 30, 2012, the City contributed \$ 46,260 and plan members contributed \$ 7,464. The most recent active member monthly premiums for the Utilities and plan members are \$ 280 for single coverage and \$ 640 for family coverage. For the year ended June 30, 2012, the

Utilities contributed \$ 46,976 and plan members contributed \$ 5,467.

6) Compensated Absences

The City and Utility employees accumulate a limited amount of earned but unused vacation hours for subsequent use or for payment upon termination, retirement or death.

These accumulations are not recognized as disbursements until used or paid. The City's and Utilities' approximate liability for earned compensated absences payable to employees at June 30, 2012, are as follows:

<u>Type of Benefit</u>	<u>City Amount</u>	<u>Utilities Amount</u>
Vacation	<u>\$ 13,000</u>	<u>\$ 16,000</u>

These liabilities have been computed based on rates of pay in effect at June 30, 2012.

7) Interfund Transfers

The detail of interfund transfers for the year ended June 30, 2012 are as follows:

<u>Transfer to</u>	<u>Transfer from</u>	<u>Amount</u>
Debt Service	General	\$ 65,332
	Special Revenue:	
	Urban Renewal Tax Increment	112,699
	Road Use Tax	13,039
	Enterprise:	
	Water	365
	Sewer	58,895
	Garbage	<u>1,648</u>
		251,978
Capital Projects	Special Revenue:	
	Urban Renewal Tax Increment	<u>295,707</u>
Total		<u>\$ 547,685</u>

Transfers generally move resources from the fund statutorily required to collect the resources to the fund statutorily required to disburse the resources.

8) Related Party Transactions

The City paid the Utilities \$ 105,779 for gas, electric and collection service for the

fiscal year ended June 30, 2012.

The City received \$ 3,985 for shared supplies and lighting in the gym from the Utilities for the fiscal year ended June 30, 2012.

9) Risk Management

The City and Utilities are exposed to various risks of loss related to torts; theft, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. These risks are covered by the purchase of commercial insurance. The City and Utilities assume liability for any deductibles and claims in excess of coverage limitations. Settled claims from these risks did not exceed commercial insurance in any of the past three fiscal years.

10) Developer Agreements

The City has entered into five development agreements to assist various urban renewal projects.

With the first agreement the City has agreed to rebate 95% of the incremental tax paid by the developer in exchange for construction of an assisted living facility by the developer on land located within the Cascade Urban Renewal Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of five years beginning December 1, 2008 and continuing through and including June 1, 2013, or until such earlier date upon which payments equal to \$ 300,000 have been made. The payments shall not constitute a general obligation of the City, but shall be made solely and only from incremental property taxes received by the City from the Dubuque County Treasurer which are attributable to the Property. During the year ended June 30, 2012, the City rebated \$ 16,180 if incremental tax under this agreement. The maximum remaining balance at June 30, 2012 was \$ 170,379.

With the second agreement the City has agreed to rebate 70% of the incremental tax paid by the developer, in exchange for construction and operating of a grocery store by the developer on land within the Cascade Urban Revenue Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of ten years beginning December 1, 2011 and continuing through and including June 1, 2021, or until such earlier date upon which payments equal to \$ 300,000 have been made. The payments shall not constitute a general obligation of the City and shall be subject to annual appropriation by the City Council. The City shall also provide the developer with a five-year, \$ 200,000 forgivable loan at zero percent interest to cover development and construction expenses with building the new grocery store. Beginning January 1, 2010, for each month of operation the developer completes, \$ 3,333 shall be forgiven by the City. If the developer ceases to own and operate said grocery store at any point during the five-year period, the unfor-

given balance shall be immediately due and payable. At June 30, 2012, the unforgiven balance of the loan was \$ 100,000. During the year ended June 30, 2012, the City rebated \$ 25,889 under this agreement. The maximum remaining balance at June 30, 2012 was \$ 274,111.

With the third agreement the City has lent \$ 50,000 in October, 2010 in connection with the remodeling of a commercial building to be used as a chiropractic clinic. The note is payable in monthly installments of \$ 416.67 over 10 years with no interest. The balance at June 30, 2012 is \$ 41,666.

With the fourth agreement the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for construction of a restaurant by the developer on land located within the Cascade Urban Renewal Area. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of six years beginning December 1, 2013 and continuing through and including June 1, 2019, or until such earlier date upon which payments equal to \$ 20,000 have been made. The payments shall not constitute a general obligation of the City and shall be subject to annual appropriation by the City Council.

With the fifth agreement the City has agreed to rebate 50% of the incremental tax paid by the developer in exchange for construction of a corporate office, gas station and convenience store on land located within the Cascade Urban Renewal Area and creation of 18 employment positions by the developer. The incremental tax to be received by the City under Chapter 403.19 of the Code of Iowa will be rebated for a period of ten years beginning with December 1, 2013 and continuing through and including June 1, 2023, or until such earlier date upon which payments equal to \$ 135,000 have been made. The payments shall not constitute a general obligation of the City and shall be subject to annual appropriation by the City Council.

11) Commitments

At June 30, 2012, the City has entered into two construction contracts totaling \$ 1,435,533 for water system improvements. The City has agreed to purchase a police car for \$ 34,334 to be delivered after June 30, 2012.

The City is leasing the building housing the city ambulance service at a monthly amount of \$ 500. Total rents under this lease were \$ 6,000 for the fiscal year ended June 30, 2012. Although the lease expired at June 30, 2012 and has not been renewed, the City and lessor have continued the arrangement using the original lease terms.

12) Subsequent Events

The City issued \$ 3,200,000 of general obligation bonds to finance water and street improvements in August, 2012.

13) Concentration of Credit Risk

The Cascade Municipal Utilities grants credit to its customers, all of whom are located in the municipal service area.

14) Prior Period Adjustments

The Cascade Municipal Utilities discovered that cash was understated \$ 7,576 at June 30, 2011. This resulted in the discretely presented component unit column of the statement of activities and net assets - cash basis being understated \$ 7,576 at June 30, 2011. In addition, the change in cash balance net assets in the discretely presented component unit column of the statement of activities and net assets - cash basis was understated \$ 7,576 for the year ended June 30, 2011.

OTHER INFORMATION

CITY OF CASCADE
BUDGETARY COMPARISON SCHEDULE
OF RECEIPTS, DISBURSEMENTS AND CHANGES IN BALANCES-
BUDGET AND ACTUAL (CASH BASIS)-ALL GOVERNMENTAL FUNDS, PROPRIETARY FUNDS
AND COMPONENT UNIT
OTHER INFORMATION
Year Ended June 30, 2012

	Governmental Funds Actual	Proprietary Funds Actual	Discretely Presented Component Unit Actual	Total	Budgeted Amounts		Final to Total Variance
					Original	Final	
Receipts:							
Property tax	\$ 475,560	-	-	475,560	474,940	474,940	620
Tax increment financing	503,479	-	-	503,479	534,906	534,906	(31,427)
Other city tax	251,628	-	-	251,628	242,262	242,262	9,366
Licenses and permits	7,008	-	-	7,008	8,080	8,080	(1,072)
Use of money and property	7,306	4,221	25,481	37,008	41,812	11,812	25,196
Intergovernmental	391,434	-	-	391,434	636,945	367,337	24,097
Charges for service	198,044	663,478	2,713,895	3,575,417	3,723,114	3,723,114	(147,697)
Special assessments	14,962	-	-	14,962	7,666	7,666	7,296
Miscellaneous	29,643	7,456	51,096	88,195	16,000	16,000	72,195
Total receipts	1,879,064	675,155	2,790,472	5,344,691	5,685,725	5,386,117	(41,426)
Disbursements:							
Public safety	417,858	-	-	417,858	600,801	515,901	98,043
Public works	342,369	-	-	342,369	381,746	381,746	39,377
Culture and recreation	198,736	-	-	198,736	217,633	217,633	18,897
Community and economic development	96,861	-	-	96,861	117,080	117,080	20,219
General government	204,786	-	-	204,786	193,780	215,480	10,694
Debt service	263,201	-	-	263,201	264,250	264,250	1,049
Capital projects	519,150	-	-	519,150	474,293	634,293	115,143
Business type activities	-	452,740	2,649,997	3,102,737	3,318,546	3,318,546	215,809
Total disbursements	2,042,961	452,740	2,649,997	5,145,698	5,568,129	5,664,929	519,231
Excess (deficiency) of receipts over (under) disbursements	(163,897)	222,415	140,475	198,993	117,596	(278,812)	477,805
Other financing sources (uses), net	1,122,098	7,902	-	1,130,000	40,000	120,000	1,010,000
Excess of receipts and other financing sources over disbursements and other financing uses	958,201	230,317	140,475	1,328,993	157,596	(158,812)	1,487,805
Balances beginning of year	1,048,454	646,825	2,121,888	3,817,167	2,779,548	2,779,548	1,037,619
Balances end of year	\$ 2,006,655	877,142	2,262,363	5,146,160	2,937,144	2,620,736	2,525,424

See accompanying independent auditor's report and notes to other information-budgetary reporting.

CITY OF CASCADE

Notes to Other Information - Budgetary Reporting

June 30, 2012

The budgetary comparison is presented as Other Information in accordance with Governmental Accounting Standards Board Statement No. 41 for governments with significant budgetary perspective differences resulting from not being able to present budgetary comparisons for the General Fund and each major Special Revenue Fund.

In accordance with the Code of Iowa, the City Council annually adopts a budget on the cash basis following required public notice and hearing for all funds except Internal Service Funds. The annual budget may be amended during the year utilizing similar statutorily prescribed procedures. The City's budget includes its component unit although the component unit is not included in the fund financial statements.

Formal and legal budgetary control is based upon nine major classes of disbursements known as functions, not by fund. The nine functions are: public safety, public works, health and social services, culture and recreation, community and economic development, general government, debt service, capital projects and business type activities. Function disbursements required to be budgeted include disbursements for the General Fund, the Special Revenue Funds, the Debt Service Fund, the Capital Projects Fund, the Permanent Fund and the Enterprise Funds. Although the budget document presents function disbursements by fund, the legal level of control is at the aggregated function level, not by fund.

During the year ended June 30, 2012, one budget amendment increased budgeted disbursements by \$ 96,800. The budget amendment is reflected in the final budgeted amounts.

SUPPLEMENTARY INFORMATION

CITY OF CASCADE
 SCHEDULE OF CASH RECEIPTS, DISBURSEMENTS
 AND CHANGES IN CASH BALANCES
 NONMAJOR GOVERNMENTAL FUNDS
 As of and for the Year Ended June 30, 2012

	Special Revenue		
	Road Use Tax	Employee Benefits	Total
Receipts:			
Property tax	\$ -	16,416	16,416
Intergovernmental	204,784	-	204,784
Charges for service	988	-	988
Miscellaneous	3,238	-	3,238
Total receipts	209,010	16,416	225,426
Disbursements:			
Operating:			
Public works	176,877	-	176,877
General government	-	16,402	16,402
Total disbursements	176,877	16,402	193,279
Excess of receipts over disbursements	32,133	14	32,147
Other financing uses:			
Operating transfers out	(13,039)	-	(13,039)
Net change in cash balances	19,094	14	19,108
Cash balances beginning of year	-	55	55
Cash balances end of year	\$ 19,094	69	19,163
Cash Basis Fund Balances:			
Restricted for:			
Streets	\$ 19,094	-	19,094
Other purposes	-	69	69
Total cash basis fund balances	\$ 19,094	69	19,163

See accompanying independent auditor's report.

Schedule 2

CITY OF CASCADE
SCHEDULE OF INDEBTEDNESS
Year Ended June 30, 2012

Obligation	Date of Issue	Interest Rates	Amount Originally Issued	Balance Beginning of Year	Issued During Year	Redeemed During Year	Balance End of Year	Interest Paid
Primary Government:								
General obligation notes:								
Corporate purpose	Oct 1, 2001	4.70-4.80%	\$ 800,000	175,000	-	85,000	90,000	8,315
Street improvement	Dec 20, 2006	4.95	156,600	78,300	-	15,660	62,640	3,872
Street improvement	Nov 11, 2009	3.95	165,000	132,000	-	16,500	115,500	5,228
Ambulance acquisition	Nov 1, 2010	2.45	100,000	100,000	120,000	-	220,000	2,054
Total				\$ 485,300	120,000	117,160	488,140	19,469
Urban renewal tax increment financing (TIF) revenue notes								
	May 1, 2007	3.85-4.00%	\$ 645,000	\$ 300,000	-	95,000	205,000	11,758
Revenue notes:								
Folk Street lift station	Feb 17, 2010	3.00%	\$ 137,000	\$ 119,000	-	18,000	101,000	3,570
Revenue bonds:								
Water	Jun 1, 2012	0.75-3.60%	\$ 995,000	\$ -	995,000	-	995,000	-
Discretely Presented Component Unit:								
Revenue notes:								
Electric	Jan 27, 2011	1.20-4.10	\$ 2,275,000	\$ 2,145,000	-	130,000	2,015,000	63,353

See accompanying independent auditor's report.

Schedule 3

CITY OF CASCADE
BOND AND NOTE MATURITIES
June 30, 2012

Primary Government										
Year Ending June 30,	General Obligation Notes									
	Corporate Purpose		Street Improvement		Interest Rates	Street Improvement		Interest Rates	Ambulance Acquisition	
	Issued Oct 1, 2001	Amount	Issued Dec 20, 2006	Amount		Issued Nov 11, 2009	Amount		Issued Nov 1, 2010	Amount
	2013	4.80%	\$ 90,000	4.95%	\$ 15,660	3.95%	\$ 16,500	2.45%	\$ 220,000	342,160
2014	-	-	4.95	15,660	3.95	16,500	-	-	32,160	
2015	-	-	4.95	15,660	3.95	16,500	-	-	32,160	
2016	-	-	4.95	15,660	3.95	16,500	-	-	32,160	
2017	-	-	-	-	3.95	16,500	-	-	16,500	
2018	-	-	-	-	3.95	16,500	-	-	16,500	
2019	-	-	-	-	-	16,500	-	-	16,500	
Total		\$ 90,000		\$ 62,640		\$ 115,500		\$ 220,000	\$ 488,140	
Primary Government										
Year Ending June 30,	Revenue Notes									
	Urban Renewal Tax Increment Financing (TIF)		Polk Street Lift Station		Interest Rates	Revenue Bonds		Interest Rates	Discretely Presented Component Unit	
	Issued May 1, 2007	Amount	Issued Feb 17, 2010	Amount		Issued Jun 1, 2012	Amount		Revenue Notes Electric	Amount
	2013	3.90%	\$ 100,000	3.00%	\$ 19,000	0.75%	\$ 40,000	1.40%	\$ 135,000	135,000
2014	4.00	105,000	3.00	20,000	0.75	40,000	1.75	135,000	135,000	
2015	-	-	3.00	20,000	1.00	40,000	2.00	140,000	140,000	
2016	-	-	3.00	21,000	1.00	45,000	2.20	140,000	140,000	
2017	-	-	3.00	21,000	1.50	45,000	2.55	145,000	145,000	
2018	-	-	-	-	1.50	45,000	2.90	145,000	145,000	
2019	-	-	-	-	2.00	45,000	3.15	150,000	150,000	
2020	-	-	-	-	2.00	45,000	3.40	155,000	155,000	
2021	-	-	-	-	2.40	45,000	3.60	160,000	160,000	
2022	-	-	-	-	2.40	45,000	3.75	165,000	165,000	
2023	-	-	-	-	2.80	50,000	3.90	175,000	175,000	
2024	-	-	-	-	2.80	50,000	4.00	180,000	180,000	
2025	-	-	-	-	3.00	50,000	4.10	190,000	190,000	
2026	-	-	-	-	3.00	55,000	-	-	-	
2027	-	-	-	-	3.20	55,000	-	-	-	
2028	-	-	-	-	3.20	55,000	-	-	-	
2029	-	-	-	-	3.40	60,000	-	-	-	
2030	-	-	-	-	3.40	60,000	-	-	-	
2031	-	-	-	-	3.60	60,000	-	-	-	
2032	-	-	-	-	3.60	65,000	-	-	-	
Total		\$ 205,000		\$ 101,000		\$ 995,000		\$ 2,015,000	\$ 2,015,000	

See accompanying independent auditor's report.

CITY OF CASCADE
 SCHEDULE OF RECEIPTS BY SOURCE AND DISBURSEMENTS BY FUNCTION-
 ALL GOVERNMENTAL FUNDS
 For the Last Three Years

	2012	2011	2010
Receipts:			
Property tax	\$ 475,560	454,211	444,562
Tax increment financing	503,479	496,139	432,131
Other city tax	251,628	233,362	240,517
Licenses and permits	7,008	7,933	7,226
Use of money and property	7,306	24,625	26,638
Intergovernmental	391,434	634,808	211,296
Charges for service	198,044	164,045	92,195
Special assessments	14,962	8,482	46,354
Miscellaneous	29,643	63,696	25,234
Total	<u>\$ 1,879,064</u>	<u>2,087,301</u>	<u>1,526,153</u>
Disbursements:			
Operating:			
Public safety	\$ 417,858	356,283	273,074
Public works	342,369	330,388	418,696
Culture and recreation	198,736	163,113	176,266
Community and economic development	96,861	116,282	312,345
General government	204,786	186,458	198,764
Debt service	263,201	261,384	338,932
Capital projects	519,150	859,861	205,124
Total	<u>\$ 2,042,961</u>	<u>2,273,769</u>	<u>1,923,201</u>

See accompanying independent auditor's report.

STEVEN S. CLAUSEN, CPA

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**INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL
OVER FINANCIAL REPORTING AND ON COMPLIANCE AND
OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS
PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Honorable Mayor and
Members of the City Council:

We have audited the accompanying financial statements of the governmental activities, the business type activities, the discretely presented component unit, each major fund and the aggregate remaining fund information of the City of Cascade, Iowa, as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated December 6, 2012. Our report expressed unqualified opinions on the financial statements which were prepared in conformity with another comprehensive basis of accounting. We conducted our audit in accordance with U.S. generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

Management of the City of Cascade is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City of Cascade's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Cascade's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Cascade's internal control over financial reporting.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose

described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Cascade's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards. However, we noted certain immaterial instances of noncompliance or other matters that are described in Part II of the accompanying Schedule of Findings.

Comments involving statutory and other legal matters about the City's operations for the year ended June 30, 2012 are based exclusively on knowledge obtained from procedures performed during our audit of the financial statements of the City. Since our audit was based on tests and samples, not all transactions that might have had an impact on the comments were necessarily audited. The comments involving statutory and other legal matters are not intended to constitute legal interpretations of those statutes.


The City of Cascade's responses to findings in our audit are described in the accompanying Schedule of Findings. While we have expressed our conclusions on the City's responses, we did not audit the City of Cascade's responses and, accordingly, we express no opinion on them.

This report, a public record by law, is intended solely for the information and use of the officials, employees, and citizens of the City of Cascade and other parties to whom the City of Cascade may report. This report is not intended to be and should not be used by anyone other than these specified parties.

We would like to acknowledge the many courtesies and assistance extended to us by personnel of the City of Cascade during the course of our audit. Should you have any questions concerning any of the above matters, we shall be pleased to discuss them with you at your convenience.

Elkader, Iowa

December 6, 2012


Dietz, Donald & Company
Certified Public Accountants
FEIN 42-1172392

CITY OF CASCADE
SCHEDULE OF FINDINGS
Year Ended June 30, 2012

Part I: Findings Related to the Financial Statements:

INTERNAL CONTROL DEFICIENCIES:

No material weaknesses were identified

INSTANCES OF NON-COMPLIANCE

No matters were noted.

CITY OF CASCADE
SCHEDULE OF FINDINGS
Year Ended June 30, 2012

Part II: Other Findings Related to Statutory Reporting:

- II-A-12 Certified Budget - Disbursements during the year ended June 30, 2012 did not exceed the amounts budgeted. Chapter 384.20 of the Code of Iowa states, in part, that "Public monies may not be expended or encumbered except under an annual or continuing appropriation."
- II-B-12 Questionable Disbursements - We noted no disbursements for parties, banquets, or other entertainment for employees that we believe may constitute an unlawful expenditure from funds as defined in an Attorney General's opinion dated April 25, 1979.
- II-C-12 Travel Expense - No disbursements of City money for travel expenses of spouses of City officials or employees were noted.
- II-D-12 Business Transactions - No business transactions between City and City officials or employees were noted.
- II-E-12 Bond Coverage - Surety bond coverage of City officials and employees is in accordance with statutory provisions. The amount of coverage should be reviewed annually to insure that the coverage is adequate for current operations.
- II-F-12 Council Minutes - No transactions were found that we believe should have been approved in the Council minutes but were not.
- II-G-13 Deposits and Investments - No instances of noncompliance with the deposit and investment provisions of Chapter 12B and 12C of the Code of Iowa and the City's investment policy were noted.
- II-H-12 Revenue Notes - No instances of noncompliance with the revenue note resolutions were noted.

CITY OF CASCADE
SCHEDULE OF FINDINGS
Year Ended June 30, 2012

II-I-12 Budget Document - The City's published budget includes receipts and disbursements of its component unit, Cascade Municipal Utilities. Although, the Council must approve the Utilities' budget by resolution no later than June 10 in accordance with Chapter 384.2 of the Code of Iowa, it is not required to include the Utilities in the City's budget document.

Recommendation - To simplify and clarify the budget process, the City should consider deleting Cascade Municipal Utilities from the City's budget document.

Response - We will consider this.

Conclusion - Response accepted.

II-J-12 Records of Account - Ambulance receipts are collected by a third party and later transferred to the City by the agent. This account is not included in the City's records. At June 30, 2012, this account had a balance of \$ 7,544. Chapter 384.20 of the Code of Iowa states in part that "a city shall keep accounts which show an accurate and detailed statement of all public funds collected, received, or expended for any city purpose."

Recommendation - For better accountability, financial and budgetary control, the financial activity and balances of the ambulance should be recorded in the City's records.

Response - We will determine the best way to do this.

Conclusion - Response accepted.